

INDONESIA SHARI'AH COMPLIANCE STOCK RETURN BEHAVIOUR

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ABSTRACT

This study aims to measure the behaviour of Indonesia Shari'ah compliance stock return. The measurement of return behaviour toward volatility will prove the capability of Indonesia Shari'ah compliance toward volatility that happened in Indonesia during the period of observation. Investing in Shari'ah compliance is quite different than investing in conventional stock which followed the capital market set of rules and law, Shari'ah compliance follows not only the capital market set of laws and but also the Islamic principles of principles. Most of the previous studies examine issues related to the conventional stocks and market. The present study take one step further by investigating issue related to Shari'ah compliance instrument. In the case of Shari'ah stock price in Indonesia, the dynamics volatility of the stock price can be minimized by taking an integrated screening process to the listed company, as precautions steps toward volatility.

Keywords: *Indonesia Shari'ah compliance, Return Behaviour, Stock price, Stock Market Volatility*

I. INTRODUCTION

The study of Efficient Market Hypothesis (EMH) related with the information availability and how market prices fully reflect all available information particularly price reaction toward news and events that known as stock return behaviour has evolved over the years. The evolution of these studies has contributed to the development of EMH as a theory into many concepts and areas of research interest. Several studies have focused on the role of EMH toward investor behaviour and stock return behaviour, such as return behaviour, seasonal anomaly, equity market integration and stock market volatility. These issues have many times been tackled by the researchers using conventional stock market background. Meanwhile, studies that focus on Islamic capital market are still limited and rare.

Islamic capital market has a number of diversifications in the implementations, such as *Ijarah*, *Sukuk* and *Shari'ah* compliance. This research focuses on *Shari'ah* compliance since it represents one of the biggest funding accumulations in *Shari'ah* financial industry besides *Shari'ah* banking. For the last Eleven years the growth of